

Department Of The Treasury, United States Mint – Introductory Statement Of John P. Mitchell, Deputy Director Of The United States Mint, For Presentation To The House Banking & Financial Services Subcommittee On Domestic & International Monetary Policy – March 28, 2000

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Mister Chairman, Congresswoman Waters, distinguished members:

My appearance before you this morning is a most unusual role for me. As the Mint's senior career employee, it's been my privilege to have worked with you and your staffs behind the scenes in bringing about changes that have made the United States Mint what it today is — the vigorous, profitable example of what a federal agency can be. However, the recent change in political leadership at the Mint calls on me to come forward as the voice and face of continuity in the Mint's relationship with this distinguished body. I am pleased and honored to do so.

Nearly 6 years ago, when the confirmation of Philip Diehl as Director set us on the course you know so well, we set 3 chief priorities.

The first was to revamp the Mint's financial management and accounting systems, systems so poor we had received qualified opinions from our independent auditors.

The second was to stem the proliferation of commemorative coin programs that threatened the viability of that entire endeavor and a vital source of funds for worthy purposes authorized by Congress.

The third was to increase the Mint's efficiency, thereby increasing contributions we make to the Nation by returning our profits to the General Fund of the U.S. Treasury, support for America's miners and metal fabricators, and through purchases of private sector goods and services.

Mr. Chairman, we met those goals in our first year working on them. We have received our sixth clean audit opinion. We and the Citizens Commemorative Coin Advisory Committee laid the coin community's issues before Congress, which wisely and insightfully reformed how commemorative coins are created and their profits distributed. We asked Congress for latitude in funding our operations ... procuring goods and services ... creating new products ... and generating revenues. Congress granted it. Your faith in us plus our determination to deserve it has made the Mint one of the most stunning success stories in government.

In 1993, the last full year before the current management team, the Mint struck 14 billion coins. Last year, we struck 19.95 billion circulating coins, second only to 1996 production, and shipped 20.4 billion coins to Federal Reserve Banks, besting 1995's record of 19.1 billion.

Profits from circulating coinage were \$300 million in 1993. Last year, they were \$1.04 billion.

1994 was the first year our numismatic business operated with a Public Enterprise Fund. Its revenues were \$314 million, and profits were \$9-point-4 million. Last year, sales of numismatic, commemorative, and bullion coins and products rocketed to \$967 million, and net income rose to \$38.8 million.

During the past 5 years, our consolidated revenues have grown 14 percent annually, soaring to \$2.4 billion last year, a 51 percent increase over 1998

During the past 5 years, our consolidated net income has grown 8 percent annually, reaching \$1.05 billion last year, an increase of 75 percent over 1998

Profits from our circulating coinage business line have increased an average of 7 percent yearly over the past 5 years

Numismatic Business Unit sales have increased 26 percent and profits 69 percent annually during the past 5 years. 1999 sales increased 44 percent over 1998. Net income was 69 percent higher.

This year, Mister Chairman, we expect to produce 29 billion circulating coins, a reflection of continuing economic growth plus the incredible popularity of our 50 State Quarters program and projection-busting enthusiasm for the new Golden Dollar. We believe our consolidated revenues will approach \$4.3 billion and our consolidated profits will approach \$2.7 billion.

And for the sake of giving this committee the fullest report, I point out that the bottom line is not the entire story of our progress.

Six years ago, employees picketed the Denver Mint. Last year, we received our third National Partnership Award for labor-management relations — the third in five years.

Five years ago, customers were mounting a boycott of our products. Over the past 5 years, our customer satisfaction ranking by the University of Michigan's School of Business has averaged the highest of any government agency, and has equaled or surpassed the industry leaders in customer satisfaction such as, Hershey Foods, GM-Cadillac, and H.J. Heinz Co.

Four years ago, we kept records on a sprawl of incompatible computer systems that were transcribed in pencil. Today, we operate with a Mintwide enterprise resource planning system, the first organization-wide E-R-P in the federal sector. For the first time, planners and managers have point-to-point information about customers, costs, production, promotion, inventory, sales, revenues, and profits for every program and product.

Three years ago, it was a triumph to close the books within 90 days after the end of each fiscal quarter. We have so streamlined financial reporting that we now close our books within 10 days of month-end and post results on shared technology available to all managers.

Two years ago, we were getting the knack of telephone order taking. Last year, we launched secure online shopping in April, and on October 18 our web catalog fetched \$2 million in online sales in a single day. By late 1999, Internet sales reached \$9 million per month, making the Mint one of the nation's top 25 e-tailers, and this year we project web sales will exceed \$125 million. GovExec.com, a service of Government Executive Magazine, honored us as one of 16 "Best Feds on the Web" for the technological know-how, business savvy, and customer service evidenced in our web pages. In addition, the Washington Times gave the Mint's website 4 out of 4 "screamin' PCs."

A year ago, coin collecting was a languishing hobby. Today, the United States Mint produces the hottest collectible product in history — 50 State Quarters. We now estimate that 112 million Americans are saving 50 State Quarters. A figure that's projected to reach 160 million — 60 percent of the U.S. population.

And this year, the 50 State Quarter has a companion: the Golden Dollar. In mid-January, we began shipping coins to the Federal Reserve for its distribution on January 27th. So popular are these coins that in 14 weeks, we will have produced and shipped more than 500 million Golden Dollars. It took 14 years for customer demand to call for that many Susan B. Anthony dollars.

You may have seen press reports of localized coin shortages, Mister Chairman. However small and localized, the Mint takes them seriously, and we resolve them in days. We work closely with the Federal Reserve in predicting coinage demand and reacting to distribution issues. We've built more sophisticated models to mesh forecasting with production. And we still invest aggressively to increase production capacity. As we near the traditional Memorial Day peak of coin demand, I'm confident we'll prove equal to any supply issue.

That, Mister Chairman, is a glance at the statistical record. Many achievements deserve to be ranked with those I've mentioned. One of the most deserving is the manner in which the Mint Police have evolved from a guard patrol into a front-ranking law enforcement agency. Another is the number of Mint employees who've written career plans and attend higher education at Mint expense. And the tens of millions of dollars by which we've reduced yearly operating costs. And the manner in which we've created a new example and higher standard of how government can work.

We have moved from strength to strength. By representing customers' interests before Congress and seeking authority to operate more efficiently, we became able to offer products welcome in public and numismatic markets and to manage ourselves as a business. We turned our ability to create successful new products into higher revenues, as we turned expanded managerial authority into lower costs and streamlined operations. Higher revenues enabled more investment in employees, equipment, and customer service, greater administrative and manufacturing productivity, wider customer outreach, and careers in which employees add value.

When rewarded employees produced a more desired product at lower cost and sold more to more customers, profits took off. Congress gave us a charter to succeed, and we took it seriously.

However, Mister Chairman, as we go forward, I urge you and Congress to focus on copyright and trademark protection for Mint products. We feel that this is the one of the most important issues facing the Mint, our customers, and the collectibles consumer today.

In prior years we have asked Congress for legislation extending copyright protection to coin designs. None has been forthcoming. As a result, our commercial success is jeopardized by private coin producers who pirate our designs and purloin our name. We are determined to preserve the artistic integrity of our product designs, and we've had to prove it. The Department of Justice has initiated action against one firm that has repeatedly replicated our designs, tried to expropriate our identity, and scoffed at our warnings to stop. This is an ongoing problem that is so intolerable we're pursuing judicial remedy. I again urge in the strongest terms to provide a legislative one.

That concludes my remarks, Mister Chairman. I close on a note of great satisfaction for what we've accomplished. This Committee has been among the strongest supporters of the Mint, and by providing us the authority to operate more like a business, this Committee has made the accomplishments which I have just described possible. At the Mint, we have always known our problems have solutions ... that our opportunities were limited only by our vision ... and that our results would more than repay our efforts. By any measure, they most assuredly have. Thank you.

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